

12 July 2013

Implementation of EU Regulation for Capacity Allocation Mechanisms (CAM)

Preferred Choice of Joint Capacity Booking Platform

To: UK Market Participants, customers and other interested parties

As you may be aware, gas Transmission System Operators (TSOs) across Europe including National Grid Gas are required to implement the recently approved EU Capacity Allocation Mechanism (CAM) Regulation. The CAM Regulation is a binding set of rules and principles that govern how network capacity is sold at the interconnection points between neighbouring EU member states and aims to further integrate the EU gas market and increase competition and liquidity. The provisions of this Regulation must be implemented by 1st November 2015.

One of the key elements of the CAM Regulation is that cross-border capacity should, where possible, be sold on a bundled basis and using a joint booking platform developed by the respective EU TSOs.

Specifically Article 27 of the CAM Regulation states:

Transmission system operators shall apply this Regulation by offering capacity by means of one or a limited number of joint web-based booking platforms. Transmission system operators can operate such platforms themselves or via an agreed party that, where necessary, acts on behalf of them towards the network users.

In order to prepare for the implementation of CAM, National Grid have been working in conjunction with its interconnected TSO neighbours, Gaslink, IUK and BBL, and we are exploring how we can move ahead in a coordinated manner. We see a coordinated approach to implementing the capacity booking platform as essential and are therefore regularly meeting with the TSOs above in order to ensure the best possible service for our customers.

National Grid has been investigating options for fulfilling its capacity booking platform obligation. As a result of this work we have concluded, at this stage, that the PRISMA booking platform appears to offer the best technical and practical solution to meet our CAM auction requirements. We are now seeking wider stakeholder opinions in order to inform our final decision on this.

PRISMA is a not-for-profit company that has been set up for the purpose of marketing and trading capacity in accordance with the requirements of CAM. Its existing shareholders include the national TSOs of the Netherlands and Belgium, Gasunie Transport Services and Fluxys respectively.

In addition to PRISMA offering the best technical solution for the common platform functionality required by CAM, it already has an extensive footprint of TSOs particularly in NW Europe and is already used by many shippers across the region including a number based in the UK. Therefore, adopting of an alternative platform in

the UK would create the requirement for multiple interfaces and communications between platforms. There is also a risk that this would result in a disjointed service to shippers.

The Process Going Forward

Whilst National Grid has identified PRISMA as our preferred choice of booking platform, we are very interested in the views of its stakeholders and in particular the views of the potential (and current) users of the booking platform. We would therefore like to invite all stakeholders to share their views regarding the adoption of PRISMA as the GB interconnection point capacity booking platform.

In order to better inform stakeholders of the services that PRISMA will offer we have invited PRISMA to give a presentation and answer questions at the Ofgem / DECC EU stakeholder meeting on 6th September. We would also expect to give more details about the process that we intend to follow in order to integrate with PRISMA at this meeting.

Please send all comments and any requests for more information to europeanpolicy@nationalgrid.com by **20th September 2013**. All responses will be published on the National Grid website unless marked as confidential.

In parallel with this period of industry discussion, we will continue to develop our relationship with PRISMA and undertake further technical analysis. Assuming that there are no unforeseen issues arising either from the technical analysis or this stakeholder opinion process we would anticipate becoming a shareholder in Q1 2014. This will provide sufficient time to enable National Grid to integrate its systems with PRISMA and undertake any necessary changes to the UNC allowing the first capacity auctions to take place in 2015 as required by CAM.

Yours sincerely

Chris Logue
EU Policy Manager, Transmission Network Service



PRISMA European Capacity Platform is the operator of the new joint European gas capacity booking platform.

When the EU Capacity Allocation Mechanism (CAM) Regulation was presented by ENTSOG to ACER in March 2012, European TSOs from Belgium, Denmark, Germany, France and the Netherlands signed a Memorandum of Understanding to early implement the CAM Regulation, the future market rules for allocating transport capacity.

The platform, it was decided, should be able to handle harmonised capacity products, offer auction mechanisms and serve different TSO backend systems in accordance with ENTSOG's CAM Network Code. Above all, it should be a cooperation open to all European TSOs.

On 1 January 2013, only nine months after the Memorandum of Understanding was signed, 19 TSOs from Austria, Belgium, Denmark, Germany, France, Italy and the Netherlands officially founded PRISMA, the company responsible for operating the joint capacity platform as described in the CAM regulation.

Another four months later, on 1 April 2013, the PRISMA platform was successfully launched and the first capacity auctions took place on the platform.

Since its launch, more than 12,000 auctions¹ have taken place on the joint platform. Today, 24 TSOs from eight countries are marketing their capacity via PRISMA. From January 2014 the PRISMA platform will also have secondary market functionality.

With the early implementation of the future CAM regulation, PRISMA is a major step towards an integrated European gas market, which opens new possibilities for cross-border gas transport to shippers, who can, for the first time, book capacities at European network points through one single platform. More details on PRISMA can be found on <https://primary.prisma-capacity.eu/>

¹ Status: 1 July 2013